

AUG 02 2010

ROBERTA CROSS GUNS
Office of the Commissioner of
Securities and Insurance
840 Helena Avenue
Helena, MT 59601
(406) 444-2040
(406) 444-3499 (fax)
rcrossguns@mt.gov

Attorney for the Securities Department

BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE
OFFICE OF THE STATE AUDITOR
STATE OF MONTANA

IN THE MATTER OF:)	CASE NO.: SEC-2010-82
)	
ACN, INCORPORATED)	
1000 Progress Place)	NOTICE OF PROPOSED AGENCY
Concord, NC 28025,)	DISCIPLINARY ACTION AND
)	OPPORTUNITY FOR HEARING
GREGORY PROVENZANO, individually and)	
in his capacity as President of ACN, Inc.;)	
ROBERT STEVANOVSKI, individually and)	
in his capacity as Chairman of ACN, Inc.;)	
ANTHONY CUPISZ, individually and in his)	
capacity as Vice President of ACN, Inc.; and)	
MICHAEL CUPISZ, individually and in his)	
capacity as Vice President of ACN, Inc.,)	
)	
Respondents.)	

Staff of the Securities Department (Department) of the Office of the Commissioner of Securities and Insurance, Montana State Auditor, pursuant to the authority of the Securities Act of Montana, Mont. Code Ann. § 30-10-101, *et seq.*, is proposing to the Commissioner that she take specific action against ACN, Incorporated (ACN), with a principal place of business located at 1000 Progress Place Concord, NC 28025, Gregory Provenzano (Provenzano), Robert Stevanovski (Stevanovski), Anthony Cupisz (A.Cupisz), and Michael Cupisz (M.Cupisz), identified above, for violations of the Securities Act of Montana (Act). The Commissioner has

authority to take such action under the provisions of Mont. Code Ann. §§ 30-10-102, 30-10-103, 30-10-107, 30-10-110, 30-10-301, 30-10-304, 30-10-305, 30-10-309, 30-10-324, and 30-10-325.

In particular, the Department recommends specific action against the named Respondents including imposition of appropriate fines and appropriate restitution with interest.

Service of process is pursuant to Mont. Code Ann. § 30-10-107.

REASONS FOR ACTION

There is probable cause to believe that the following facts, if true, justify and support such specific action. Furthermore, there is reason to believe that the following facts will be proven true and, therefore, justify and support immediate issuance of an order requiring Respondent to cease and desist their activities in violation of the Securities Act of Montana.

ALLEGATIONS OF FACT

1. On or about March 22, 2010, the Department received a complaint regarding ACN from a Montana citizen. The complaint indicated the complainant had invested \$499 with ACN for the "right to sell phone services." However, the services are not widely available in Montana. According to the complainant the only way to obtain a return on the investment with ACN in Montana is to recruit new participants who are then required to also recruit new participants.

2. ACN notice-filed as a multi-level marketing company in Montana. The filing documents identify Provenzano, Stevanovski, A.Cupisz and M. Cupisz as the principals for the company. Provenzano is identified as President of ACN. Stevanovski is identified as the Chairman of ACN. A.Cupisz and M.Cupisz are identified as Vice Presidents for ACN. Provenzano, Stevanovski, A.Cupisz and M. Cupisz are also the founders of ACN.

3. The Department relied on standard investigation practices and obtained information from ACN regarding the complainant's allegations. After reviewing the documentation provided by ACN, the Department determined the following:

a. Compensation to ACN participant investors is derived from either monthly commissions from the use of the phone services and/or from "customer acquisition bonuses" (CAB).

b. ACN documents include a statement highlighted by borders indicating "the bottom line in building your ACN business is that you are acquiring customers and sponsoring 'customer getters' in order to build a residual income for yourself." Attached hereto as **Exhibit A** is a copy of this document provided to the Department by the Montana complainant.

c. The CAB are only payable when the recruited individuals become customers of the telecommunications service. Thus, in Montana the only compensation for members in ACN is recruitment of others to sell the product that is not available for use in Montana.

d. The \$499 investment is a membership fee for which the investor receives an internet download of "essential marketing tools," including a training kit and "back-office services" necessary to sell the telecommunications service ACN offers. The investment also gets the investor five points toward his/her first step on the pyramid. Attached hereto as **Exhibit B** is a copy of the compensation plan provided to the Department by ACN. There is an annual renewal fee, as well, as seen in the ACN IR Agreement, attached hereto as **Exhibit C**.

4. The ACN compensation plan overview provided to the Department by ACN clearly shows by illustration the pyramid scheme. In order to progress in the company, participant investors must recruit other participants to sell the service that is not usable in Montana.

5. Additionally, the ACN overview page (**Exhibit A**) provided by the Montana complainant clearly illustrates the pyramid scheme in section (5). Then in section (7) of the overview, ACN shows the only two ways to earn compensation is by acquiring telecommunication services customers or participants. Because Montanans in particular are unable to use the telecommunications services, the only way to be compensated is to recruit other ACN participants.

6. Participant investors are provided an Independent Representative Agreement (IR Agreement) when they become “members.” **See Exhibit C.** It appears from these IR Agreements that the \$499 investment is a “fee” to become a “team trainer” for recruitment purposes and pays for the “essential marketing tools” of recruitment.

7. Participant investors are promised a certain rate of return based on the numbers of recruits they obtain for ACN, as set forth in the ACN overview. **See Exhibit B.** For example, ACN tells participant investors they will receive \$ 3,000 monthly if they become an Executive Team Trainer (ETT). **See Exhibit A.** In Section (9) of the Exhibit A overview it appears an ETT must recruit two qualified team trainers (QTT). Alternatively, if a participant investor recruits two QTTs who recruit two additional QTTs and each participant investor acquires 20 customers, the investor’s “overriding residual income” could be as much as \$11,000 per month. The further up the pyramid participant investors are able to progress, the higher the compensation promised.

8. In 2009, ACN recruited over 300 Montana participant investors. Upon reviewing documentation provided by ACN, the Department determined ACN reported 312 Montana participant investors paid approximately \$234,813.02 for monthly fees, membership renewals, supplies and convention fees in 2009. During the same period, ACN's Montana participant

investors received only \$16,615.08 in compensation. The compensation was primarily paid for obtaining new participant investors, rather than for selling the telecommunications services allegedly offered by ACN. In fact, a mere \$896.86 was paid as compensation to Montana participant investors for direct sales of the telecommunications services to non-participants.

9. In 2008 ACN had 91 Montana participant investors. A review of the documentation provided by ACN indicates a reported 91 Montana participant investors paid approximately \$61,741.69 for monthly fees, membership renewals, supplies and convention fees in 2008. Only two of the 2008 Montana participant investors received more than \$600 in compensation - one received approximately \$700 and the other received approximately \$696. The 2008 compensation was primarily paid for obtaining new participant investors, rather than for the telecommunications services allegedly offered by ACN. In fact, a mere \$783.06 was paid as compensation to Montana participant investors for direct sales of the communication services to nonparticipants.

10. ACN promotes its pyramid scheme through an internet website, local "seminars" and urban conventions.

CONCLUSIONS OF LAW

1. The Montana State Auditor is the Commissioner of Securities (Commissioner) pursuant to Mont. Code Ann. §§ 30-10-107, 2-15-1901.

2. The Commissioner has jurisdiction over this matter pursuant to Mont. Code Ann. §§ 30-10-102, 30-10-107, 30-10-201, 30-10-202, 30-10-301, 30-10-304, 30-10-305, 30-10-309, and 30-10-325.

3. The administration of the Securities Act of Montana ("Act"), Mont. Code Ann. § 30-10-101, *et seq.*, is under the supervision and control of the Securities Commissioner, pursuant to Mont. Code Ann. § 30-10-107.

4. The Commissioner shall administer the Securities Department to protect investors pursuant to Mont. Code Ann. § 30-10-102.

5. Respondents promoted and operated a pyramid promotional scheme selling a sales plan in which participant investors receive consideration primarily from the recruitment of other participants in the plan rather than from the sale of an actual product or service. Mont. Code Ann. § 30-10-324 (6) (a) and (c).

6. Respondents violated the Act when they promoted and operated a pyramid promotional scheme in Montana pursuant to Mont. Code Ann. § 30-10-325.

7. Respondent's IR Agreements represent investment contracts through the terms of the IR Agreement and its references to the compensation plans pursuant to the definition of a "security" at Mont. Code Ann. § 30-10-103 (22) and *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946) because Respondents require an investment of money to participate in a common enterprise where the participant investors have an expectation of profit and said profit is derived from the efforts of the recruits the participant investors obtain, rather than from the sale of some product or the provision of some service by the investor.

8. Respondents violated Mont. Code Ann. § 30-10-201 when, in connection with the above promotion of a pyramid scheme, they offered ACN IR Agreements to persons in Montana without first being registered either as an issuer or as securities salespersons in Montana.

9. Respondents violated Mont. Code Ann. § 30-10-202, by offering the IR Agreements that constitute investment contracts, and therefore are securities, to persons in Montana without first registering these securities in Montana.

10. Respondents violated Mont. Code Ann. § 30-10-301 (1) (b), by failing to disclose the following material facts which were necessary to disclose in order to make the statements made about the investment in light of the circumstances under which they were made not misleading:

- a. that at all times material hereto, the ACN IR Agreements were not registered as securities in Montana;
- b. that at all times material hereto, the ACN program is an illegal pyramid promotional scheme;
- c. that Respondents made fraudulent statements of material fact when they represented that the program was legitimate in order to encourage participation in the program; and
- d. that Respondents made misleading statements when marketing the availability of the telecommunications services in the state of Montana.

11. Respondents violated Mont. Code Ann. § 30-10-301 (1) (c) by engaging in an act, practice and course of business that acts as a fraud and deceit on persons in Montana by promoting a program that constitutes an illegal pyramid promotional scheme.

12. Respondents violated Mont. Code Ann. § 30-10-301 (1) (c) by engaging in an act, practice and course of business that acts as a fraud and deceit on persons in Montana by making false representations regarding the ACN program to at least 312 Montana citizens in 2009 and 91 Montana citizens in 2008.

PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Montana investors to:

1. Immediately issue a temporary cease and desist order barring Respondents, as well as ACN's agents and representatives from further violations of the Montana Securities Act
2. Order Respondents to pay administrative fines in an amount and upon such terms and conditions as supported by the evidence and determined at hearing of this matter;
3. Order Respondents to pay restitution to Montana investors in an amount and upon such terms and conditions, including the statutory ten percent per annum interest on the money invested in the ACN pyramid scheme as supported by the evidence and determined at hearing of this matter; and
4. Take such other actions which may be in the public interest and necessary and appropriate for the protection of Montana investors.

STATEMENT OF RIGHTS

You are entitled to a hearing to respond to this notice, and to present evidence and arguments on all issues involved in this case. You have a right to be represented by an attorney at any and all stages of this proceeding. You may demand a formal hearing before a hearing examiner appointed by the Commissioner pursuant to the Montana Administrative Procedure Act, Mont. Code Ann. §§ 2-4-601, *et seq.*, including Mont. Code Ann. § 2-4-631. If you demand a hearing, you will be given notice of the time, place and the nature of the hearing.

If you want to contest the proposed action under the jurisdiction of the Commissioner, you must advise the Commissioner within 15 days of the date you receive this notice. You must advise the Commissioner of your intent to contest the proposed action by writing to Roberta

Cross Guns, State Auditor's Office, 840 Helena Avenue, Helena, MT 59601. Your letter must clearly indicate whether you demand a hearing, or whether you waive formal proceedings and, if so, what informal proceedings you prefer for disposition of this case. Pursuant to Mont. Code Ann. § 2-4-603(2), you may not request to proceed informally if the action could result in suspension, revocation or any other adverse action against a professional license.

Should you request a hearing, you have the right to be accompanied, represented, and advised by counsel. If the counsel you choose has not been admitted to practice law in the state of Montana, he or she must comply with the requirements of *Application of American Smelting and Refining Co.*, 164 Mont. 139, 520 P.2d 103 (1973), and *Montana Supreme Court Comm'n on the Unauthorized Practice of Law v. O'Neil*, 334 Mont. 311, 147 P.3d 200 (2006).


CONTACT WITH SECURITIES COMMISSIONER'S OFFICE

If you have questions or wish to discuss this matter, please contact Roberta Cross Guns, Office of the Commissioner of Securities and Insurance, Montana State Auditor, at 840 Helena Avenue, Helena, MT 59601, (406) 444-2040 or, within Montana, (800) 332-6148. If an attorney represents you, please make any contacts with this office through your attorney.

POSSIBILITY OF DEFAULT

Failure by Respondents to give notice or to advise of Respondents' demand for a hearing or informal procedure within 15 days, will result in the entry of a default order imposing the disciplinary sanctions against Respondents, without further notice to Respondents, pursuant to 6.2.101, Administrative Rules of Montana and the Attorney General's Model Rule 10, 1.3.214.

Dated this 2nd day of August, 2010.


ROBERTA CROSS GUNS
Attorney for the Securities Department

CERTIFICATE OF SERVICE

I hereby certify the foregoing was served by pre-paid US mail, certified, return receipt requested, on the 2nd day of August, 2010, on the following:

Julie R. Mueller
Associate Counsel
ACN
1000 Progress Place
Concord, NC 28025

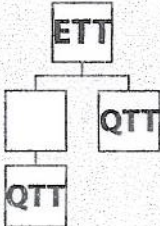
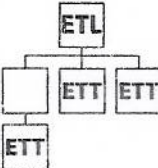
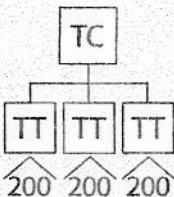
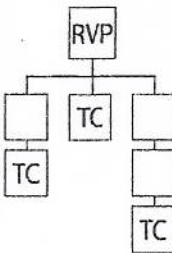
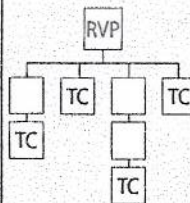
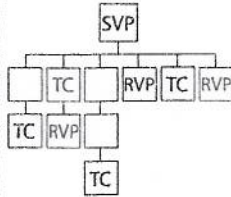
A handwritten signature in blue ink, appearing to read "Lyndee H. B.", is written over a horizontal line.

Exhibit A



EFFECTIVE APRIL 1, 2009

U.S. Compensation Plan Overview

STARTING POSITION		EARNED POSITIONS				
Team Trainer (TT) \$499	Executive Team Trainer (ETT)	Executive Team Leader (ETL)	Team Coordinator (TC)	Regional Vice President (RVP)		Senior Vice President (SVP)
5 Points <i>Including at least 2 Preferred Customers</i>	A qualified TT + 1 qualified TT in 2 separate legs (at any level)	15 Points + 1 ETT in 3 separate legs (at any level)	200 Points in 3 separate legs	3 Star RVP 1 TC in 3 separate legs (at any level)	4 Star RVP 1 TC in 4 separate legs (at any level)	6 TCs or RVPs in 6 separate legs with at least 3 RVP legs (at any level)
*Preferred Customers must be either different services or the same service from a household different than your own						
					Minimum Monthly Downline Billings: \$50,000	Minimum Monthly Downline Billings: \$75,000

Monthly billings are reported two to three months in arrears.

Customer Acquisition Bonus Schedule		
TC	4 Star RVP	SVP
Open Line = \$50 1st generation = \$20	Open Line = \$30 1st generation = \$15	Open Line = \$30 1st generation = \$15

CABs (Customer Acquisition Bonuses) are earned when TCs and above assist a newly sponsored TT in getting qualified within their first 30 days. There are no CABs for 3 Star RVPs. CABs will be paid 14 days following the new TT's start date once they qualify. A representative's start date is determined by the date of payment of their TT application fee. In order to receive CABs, TCs and above must maintain the minimum number of personal customers to be qualified as a Team Trainer. Please see the bonus document on MyACN for promotional adjustments to the Compensation Plan.

ACN Point System	
Preferred Customers - 2 Points Each	Other
Bundled Local and Long Distance Customer	Long Distance = 1 Point
Digital Phone Service with Video Phone (Includes Primary Account for Family Plans) IRIS 3000™ Video Phone Customers count as 3 Points each 60 days after the enter date	Digital Phone Service with Phone Adapter* = 1 Point
Wireless ¹ - new accounts (individual or air card) (includes Primary Line for Family Plans)	DSL = 1 Point
Satellite TV ¹ - DIRECTV (Residential & Business) or DISH Network	New Dial-Up Internet - commission only /Existing Dial-Up customers = 1 Point
ADT Home Security ¹	Satellite TV ¹ - DISH Network Family Plan Customer = 1 point
¹ These customers will only count toward qualifications for the term of their contract agreement. *Limit of 2 Digital Phone Service Accounts with an ATA from the same credit card, name, or household towards qualifications. Any additional accounts will not count towards qualifications but commissions will be paid on these accounts. Any Digital Phone Service customer, ACN Wireless, Satellite TV or Home Security customer that cancels in 90 days will be immediately purged regardless of the reason for cancelling and will result in automatic reversal of all bonuses, CABs and T-CABs. Please see the bonus document on MyACN for promotional adjustments to the Compensation Plan. **If a Your Business Assistant subscription was used for CAB and T-CAB qualifications and is cancelled within the first 60 days, the CAB and T-CAB will be retracted.	Digital Phone Service Family Plan = 1 Point per line (limit 4 lines per primary account)
	Wireless Extensions ¹ (any number of lines) = 1 Point
	Wireless Family Plan ¹ (2-3 lines) = 1 additional Point
	Wireless Family Plan ¹ (4-5 lines) = 2 additional Points
	Wireless Add-A-Line ¹ (1-2 lines) = 1 Point
	Wireless Add-A-Line ¹ (3-4 lines) = 2 Points
	T-Mobile Wireless FlexPay ¹ = 1 Point
	ACN Your Business Assistant** = 1 Point

COMMISSIONS BY SERVICE

Levels	Communication Services	IRIS 3000™ Video Phone	QUALIFICATIONS FOR EACH COMMISSION LEVEL
			Customer Points
Personal*	1-10 %	1-10 %	1
1	1/4 %	1/4 %	10
2	1/4 %	1/4 %	10
3	1/4 %	1/2 %	20
4	1/2 %	1 %	20
5	3 %	5 %	40
6	5 %	7 %	40
7	8%	10 %	40
Open Line 3 Star RVP***	1 %	1 %	A 3 Star RVP earns commissions on all customers below 7th level to an unlimited number of levels to the next 3 Star RVP's 7th level.
Open Line 4 Star RVP	1 1/2 %	3 %	A 4 Star RVP earns commissions on all customers below 7th level to an unlimited number of levels to the next 4 Star RVP's 7th level.
1st Generation 4 Star RVP	1 %	2 %	
2nd Generation 4 Star RVP	1/2 %	1 %	
Open Line SVP	2 %	3 %	A SVP earns commissions on all customers below 7th level to an unlimited number of levels to the next SVP's 7th level.
1st Generation SVP	1 %	2 %	

* See Personal Commissions schedule below.

** DSL Internet Service is 50% commissionable. Dial-Up Internet Service is 100% commissionable.

*** 3 Star RVP commissions are not paid to 4 Star RVP or SVP positions.

Note: 3 Star RVPs, 4 Star RVPs and SVPs must maintain minimum Team Trainer qualifications to qualify for commissions.

PERSONAL COMMISSIONS	
Billing Volume	Commission*
\$0 to \$1,999	1 %
\$2,000 to \$2,999	2 %
\$3,000 to \$3,999	3 %
\$4,000 to \$4,999	4 %
\$5,000 to \$5,999	5 %
\$6,000 to \$6,999	6 %
\$7,000 to \$7,999	7 %
\$8,000 to \$8,999	8 %
\$9,000 to \$9,999	9 %
\$10,000 +	10 %

*Upline commissions are half the standard commissions if the personal customer volume exceeds \$3,000

Note: ACN reserves the right to adjust the commission schedule for individual accounts such as business and affinity programs where required.

Subject to ACN terms & conditions and policies & procedures of the Independent Representative Agreement.

Success as an ACN Representative is not guaranteed, but rather influenced by an individual's specific efforts. Not all Independent Representatives make a profit and no one can be guaranteed success as an ACN Independent Representative."

ACN
www.acninc.com



WIRELESS COMMISSION BILLING PER MONTH

(Paid over contract term*)

One Line or Air Card - \$40
2 Line Family Plan - \$60
3 Line Family Plan - \$70
4 Line Family Plan - \$80
5 Line Family Plan - \$90
Single Line Extensions - \$20
2 Line Family Extensions - \$30
3-5 Line Family Extensions - \$35
Add-A-Line - \$10 per line
T-Mobile Wireless FlexPay - \$20

DIRECTV COMMISSION BILLING PER MONTH

(Paid over contract term*)

\$60

DISH NETWORK COMMISSION BILLING PER MONTH

(Paid over contract term*)

\$50
Dish Family Plan \$19.99

HOME SECURITY COMMISSION BILLING PER MONTH

(Paid over contract term*)

\$40

Commissions are calculated based on fully commissionable, actual monthly billings, excluding Wireless, Satellite TV and Home Security. Commissionable Revenue for Wireless, Satellite TV and Home Security customers are a fixed amount based on the plan.

*Unless a customer cancels prior to the end of the term.

Exhibit B

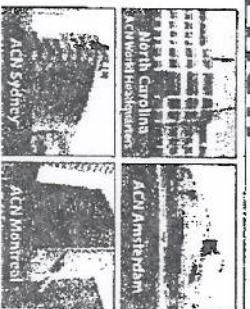
The ACN Overview

www.acninc.com • www.acnintegrity.com • www.mya.cn.com

1 COMPANY

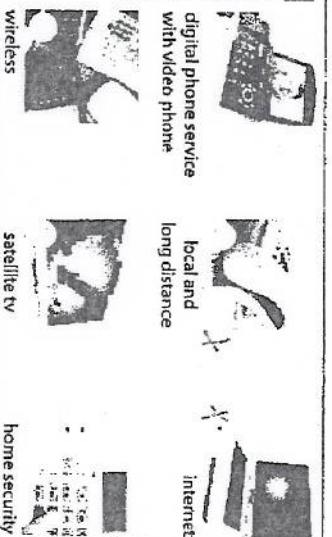
as seen **on** **TV**

- ACN started in the U.S. January 1993
- International Telecommunications Provider
- Numerous Countries on 3 Continents
- Over Half a Billion in Revenue and Growing
- Millions of customers
- Featured in:
 - INC
 - USA Today
 - Fortune
- Success from Home
- Success
- Direct Selling News

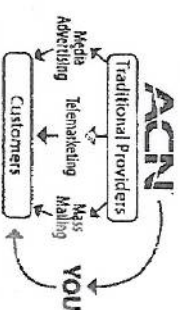


The world's largest direct selling telecommunications service provider!

2 SERVICES



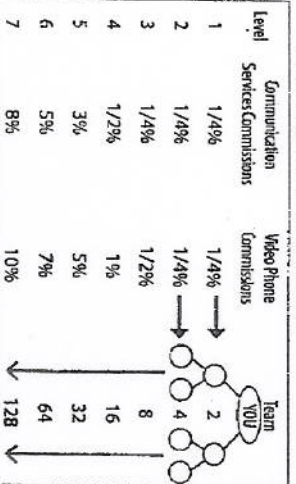
3 OUR COMPETITIVE ADVANTAGE



RELATIONSHIP MARKETING

4 PERSONAL RESIDUAL INCOME

on your customers UP TO 10%



5 OVERRIDING RESIDUAL INCOME

Assuming each representative in 5 acquires 20 customers with an average monthly bill of \$38

Monthly Residual Income would be: \$11,000+

50% of example = \$5,500+
10% of example = \$1,100+

Hypothetical example for illustrative purposes only. Represents the average monthly billing of a local bundled customer at \$38 or 20 RRS 3000 Wireline customers with a monthly bill of \$23.99.

6 OVERRIDING RESIDUALS*

ACN: (support)

- Customer
- Representative
- Marketing
- Product

YOU: (acquire)

- Customers
- Representatives

7 STARTING POSITION

100% of all moneys paid are customer based

Residual Commissions

Customer Acquisition Bonuses

TIME

8 BALANCED COMPENSATION

100% of all moneys paid are customer based

9 TRAINING & SUPPORT

- How to acquire customers
- How to build your team
- Local, Regional & International Training Events

9 QTT	ETT	ETL	TC	RVP	SVP
Qualified Team Trainer	Executive Team Trainer	Executive Team Leader	Team Coordinator	Regional Vice President	Senior Vice President
YOU (5 Customer Points)	YOU (5 Customer Points)	YOU (15 Customer Points)	YOU (200 Customer Points in 3 separate legs)	TC Compensation PLUS RVP Compensation Residual Income Beyond 7th Level Car allowance up to \$2,000 Expense allowance up to \$4,000	TC Compensation PLUS RVP Compensation PLUS SVP Compensation INCREASED Residual Income on Entire Organization
Monthly Team CABS up to \$3,000	Monthly Team CABS up to \$7,000	Monthly Team CABS up to \$25,000	Monthly Team CABS up to \$44,000	Eligible for annual retreat	Eligible for annual retreat

SEE ACN'S COMPENSATION PLAN FOR COMPLETE DETAILS

I'm going To Share Details - Acquiring From them

TCABs are promotional bonuses earned monthly based on the number of new Team Trainers who acquire the minimum required customers within their first 30 days. For complete details, please see ACN's Compensation Plan Overview. No compensation is earned at ACN unless customers are acquired.

FOR USE IN THE UNITED STATES ONLY

oplane this

Exhibit C



ACN World Headquarters
1000 Progress Place
Concord, NC 28025-2449
Phone: (704) 260-3226
Fax: (704) 260-3652
www.acninc.com

INDEPENDENT REPRESENTATIVE AGREEMENT

Office Use Only	Date Entry	Date
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PLEASE TYPE OR PRINT CLEARLY

Representative Type
(Circle One):

Individual

Company

APPLICANT INFORMATION

LIST NAME OR COMPANY, NOT BOTH.

Last Name	First Name	Middle Initial	Home Telephone (with area code)	Social Security #	Birthdate of Applicant
Company Name (Proof of Company Name, Business Tax ID # or Employer ID # required)			Cellular Telephone (with area code)	Federal Tax I.D.# (if applicable)	Birthdate of Principal
Mailing Address			City	State	Zip Code
E-mail Address					

SPONSOR INFORMATION

Last Name	First Name	Middle Initial	Telephone (with area code)	Representative I.D.
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☒ \$499 TEAM TRAINER

I, the undersigned, authorize ACN to charge the credit card account listed below and acknowledge that I have legal authority to enter into this agreement. I have carefully read the Terms and Conditions and acknowledge this by signing at the bottom of the page.

Signature	Printed Name
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Select payment method: ☐ Personal Check (make payable to ACN) ☐ Cashier's Check ☐ Money Order ☐ American Express, Discover, Master Card or Visa

Credit Card Account Number	Expiration Date
----------------------------	-----------------

When you provide a check as payment, you authorize us either to use the information from your check to make a one-time electronic fund transfer from your account or to process the payment as a check transaction. When we use this information from your check to make an electronic fund transfer, funds may be withdrawn from your account as soon as the same day you make your payment, and you will not receive your check back from your financial institution. In the event that your check is returned unpaid for insufficient or uncollected funds, we may electronically debit your account for the principal amount of the check.

I understand that there is no requirement beyond filing of this application and no purchase of sales or training materials are required to become an Independent Representative other than the purchase of a Training Kit, which is sold at ACN's cost. My advancement to higher levels in the ACN Compensation Plan is based upon the acquisition of customers and telecommunications/Internet usage. I acknowledge that any purchase of sales aids, training materials or training is strictly voluntary. I also understand that if I choose to sponsor others to participate in ACN's Compensation Plan, I will not receive any compensation whatsoever for the act of sponsoring or recruiting, and that I will be compensated based upon the activities of other Independent Representatives (IRs) only to the extent of sales made by them to end user customers. I acknowledge that if I am executing this Agreement on behalf of a company of any kind, I nevertheless remain personally responsible for the performance of all of the duties and obligations described in this Agreement.

TERMS

- I, the undersigned Applicant, affirm that I am of legal age in the state of execution of this Agreement.
- I understand that this Agreement is not binding until received and accepted by ACN. I agree to timely pay for any products, materials, services or other items that purchase from ACN. In the event that I am delinquent with respect to such payments, I acknowledge that ACN may offset such debt from any monies owing to me under its Compensation Program.
- I agree that I am an IR responsible for my own business and not an agent, legal representative or employee of ACN or any party with whom ACN transacts or contracts business. I agree that I will not be representing in any manner, that I am an agent, representative, legal representative or employee of ACN or any party with whom ACN transacts or contracts business and will not be treated as an employee for purposes of any federal, state or local statute, regulation, ordinance or other law.
- I may terminate this Agreement for any reason, at any time, by giving ACN prior written notice at its address of record. ACN may terminate this Agreement pursuant to its Policies and Procedures or in the event that I breach any part of this Agreement.
- Upon request or written notice of termination of this Agreement pursuant to the procedures set forth by Paragraph 4 within one (1) year from the date of purchase, ACN shall repurchase the Training Kit, (at a cost of \$50.00), provided that the Training Kit is returned to ACN in a reusable condition.
- I acknowledge that as an IR, I am not guaranteed any income nor am I assured any profits or success, and I certify that no claims of guaranteed profits or representations of expected earnings that might result from my efforts as an IR have been made by ACN or my sponsor. In this connection, I shall not represent directly or indirectly that any person may, can or will earn any stated gross or net amount nor that sponsorship of other IRs is easy to secure or retain or that substantially all IRs will succeed.

PLEASE SEE PAGE 2 FOR ADDITIONAL TERMS & CONDITIONS

NOTICE OF CANCELLATION

I may cancel this transaction, without penalty or obligation, for a full refund, within ten (10) business days from the date of this Agreement, exclusive of the date of signing or if processed electronically the date this Agreement is submitted to ACN for processing. I understand that if I cancel after the ten (10) day period, I am not entitled to a full refund. This limitation is not applicable in Georgia or if superseded by any state law. If I cancel within the ten (10) business days from the date of this Agreement, any payments made by me under this Agreement and any instrument executed by me will be returned within ten (10) business days following receipt by ACN of my Cancellation Notice. To cancel this Agreement, I must mail, via registered or certified mail, return receipt requested, or deliver personally to ACN a signed, dated copy of a Notice of Cancellation, or send a telegram to: ACN, Inc., 1000 Progress Place, Concord NC 28025-2449. If cancellation occurs after ten (10) business days from the date of this Agreement, item #5 above applies.

TERMS

I hereby apply to become an Independent Representative for ACN, Inc. and have carefully read and agree to abide by all terms and conditions of this Agreement including terms #7 to #23 on page 2, the Compensation Plan, the ACN Anti-Slammng Policy and the ACN Policies and Procedures which are incorporated by reference herein. **PLEASE SEE ITEMS #4 & #5 FOR IMPORTANT CANCELLATION INFORMATION.**

By signing this application, it is hereby confirmed that neither this applicant, the applicant's spouse or life partner (unless they are the applicant's sponsor) have had any other interest and/or benefit in any other ACN distributorship within, if applicable, the 12 months prior to the Effective Date of this Agreement, as set forth in the current, Policies and Procedures attached hereto.

I prefer my kit in the following language (choose one) English Kit <input type="checkbox"/> Spanish Kit <input type="checkbox"/>	Applicant's Signature	Date
Kit Received: <input type="checkbox"/> Yes <input type="checkbox"/> No	Applicant's Printed Name	
Your Team ID number is: _____	1st page - ACN copy 2nd page - Sponsor copy 3rd page - Representative copy	

7. I understand that ACN offers various services in different markets and, based on business conditions, certain services or the markets where the services are offered may change from time to time without notice. Further, I understand that ACN strongly recommends the marketing of all available services by IRs to their prospective customers.
8. ACN's renewal fee commences after the IR's first anniversary date. The annual fee is for services provided by ACN which include but are not limited to tracking of personal customers, tracking of downline IRs and accounting services. The IR can obtain a renewal application from the ACN website. Renewal application and fee must be received by ACN no later than 30 days after the IR's anniversary date or deactivation of the IR position will occur, resulting in the forfeiture of bonuses, commissions or other payments from ACN. There is a fee to process all payments made to IRs.
9. I acknowledge that my IR relationship is with ACN and not with any carrier, supplier, or service provider with whom ACN transacts or conducts business.
10. In the process of selling or otherwise promoting the products or services that ACN markets, I agree that I, as an IR, will operate in a lawful, ethical and moral manner and I agree to make no false or misleading statements regarding the various relationships between ACN, the said carrier/supplier/service provider(s) or me and the products or services. I agree not to recruit new IRs on the basis of promoting the sale of any one service offered by ACN and that I shall follow the company's recommended practices of promoting and selling all services. I specifically acknowledge that I shall not engage in the slamming of a customer.
11. I understand that during any investigation by ACN with respect to my breach of this Agreement and/or ACN's Policies and Procedures, my distributorship may be suspended by ACN and any payments which may be otherwise owing to me shall be escrowed until final resolution has been achieved. I acknowledge that in the event of my violation of this Agreement and/or ACN's Policies and Procedures my distributorship rights may be terminated without further receipt of commissions or payments of any kind.
12. I agree to keep accurate records and shall not engage in or perform any misleading, deceptive or unethical practices. I further agree to abide by all federal, state and local laws and regulations governing the sale or solicitation of the products and services marketed by ACN and/or its carrier/supplier/service provider(s), including but not limited to, any and all permits and licenses required to perform under this Agreement.
13. Neither ACN nor any telecommunications/Internet carrier/supplier/service provider companies with whom ACN transacts or contracts business shall be liable under any circumstances for any damage or loss of any kind, including indirect, special, punitive, compensatory, or consequential damages, losses or profits which may result from any cause, including but not limited to, breach of warranty, delay, act, error or omission of ACN or any carrier/supplier/service provider(s), or in the event of discontinuation or modification of a product or service by ACN or its carrier/supplier/service provider(s). I understand that the obligations of ACN and/or its carrier/supplier/service provider(s) are limited to the performance of best efforts to process customer orders for acceptance and approval of requested services.
14. I understand that as an IR, I am free to select my own means, methods and manner of operation and that I am free to choose the hours and location of my activities under this Agreement, subject only to the terms of this Agreement and all ACN Policies and Procedures.
15. I acknowledge that ACN markets products and services to end customers at rates established by ACN or its carrier/supplier/service provider(s) from time to time and that those products, services and rates shall be subject to change without prior notice.
16. I acknowledge that I am responsible for supervising and supporting Independent Representatives of my downline. I agree to maintain regular communication in support of my downline representatives through verbal and written communications.
17. ACN shall periodically make various sales literature, promotion materials, training and other products or services available. I, however, am under no obligation to purchase any quantities of those materials or services at any time. Rather, I will have the option to order and purchase any materials or services, which I may choose. If I choose to purchase such materials then I may return any unused, unopened and currently marketable items for up to one year and receive a refund of 90% of the purchase price. I will incur the cost of shipping said materials to ACN.
18. I acknowledge that I have the right to sign up as many personal customers as I wish. For each personal customer signed, I will receive a commission each month from my personal customers' telecommunications usage payments and from my network of IRs in accord with the currently valid ACN Compensation Plan. ACN reserves the right to vary or change eligibility as set out in the compensation plan. Any other payments I receive will be based upon fulfilling certain terms of qualification as set forth by the ACN Compensation Plan. I agree that as an ACN Sales Representative, I shall place primary emphasis upon the sale of telecommunications/Internet services to nondistributor customers as a condition of my receipt of commissions. Under certain circumstances, commission rates may be adjusted for promotional products or negotiated pricing. I agree that any payments made to me by ACN in check form that remain uncashed by me after six (6) months from the date on the check are forfeited by me and thereafter are the property of ACN.
19. I agree to indemnify and hold ACN, its shareholders, directors, officers and employees harmless from any and all claims, damages, and expenses, including any attorneys' fees, arising out of my actions or conduct in violation of this Agreement. In the event a dispute shall arise between myself and ACN as to our respective rights, duties and obligations arising out of or relating to this Agreement, and the Policies and Procedures of ACN it is agreed that such disputes shall be exclusively resolved through binding arbitration before the American Arbitration Association pursuant to the Commercial Rules of Arbitration. The arbitration shall be held in Charlotte, North Carolina before a panel of three arbitrators, each side choosing one and then the two choosing the third. All claims hereunder must be brought within two (2) years of the date on which the facts or circumstances giving rise to the claim are alleged to have happened. The laws of the State of New York will apply to the resolution of the dispute unless otherwise agreed in writing. The award of the arbitrator shall be final and may be entered in any court of competent jurisdiction. This provision shall not restrict ACN from seeking preliminary or permanent injunctive relief in any court of competent jurisdiction.
20. I acknowledge that I have received the ACN Policies and Procedures. I understand and agree that the Policies and Procedures are binding upon me. I further acknowledge that ACN fully reserves its right to modify this Agreement, the ACN Policies and Procedures and its Compensation Plan at any time by providing me with written notification or verbal communication through the ACN website (www.acninc.com), or such modifications through other written or verbal communication from ACN. For purposes of this Agreement, my address as indicated on this Agreement shall be deemed to be my correct address unless and until written notification of a change of address is provided by me to ACN.
21. I acknowledge that this Agreement, the Compensation Plan and the ACN Policies and Procedures incorporated herein by references constitute the entire Agreement between the parties hereto and shall not be modified or amended except as described in item 20 above. This Agreement shall be binding upon and inure to the benefit of heirs, successors and permitted assigns of the parties hereto. If any provision of the Agreement is determined by any authority of competent jurisdiction to be invalid or unenforceable in part or in whole for any reason whatsoever, the validity of the remaining provision or portions thereof shall not be affected thereby.
22. I acknowledge that the Compensation Plan is based on current products ACN is marketing and is subject to change without notice.
23. During the term of the Independent Representative Agreement, representatives may not, directly or indirectly, sell to or solicit telecommunications/Internet services or other products or services offered by ACN through any person or entity other than that specifically designated or approved in writing by ACN. Independent Representatives shall not, during their relationship with ACN and for a period of one (1) year thereafter, directly or indirectly, divert, entice, knowingly call upon, sell or solicit, take away or move any customer of ACN or its carrier/supplier/service provider(s), whether or not the Independent Representative originally procured or brought such customer to ACN (such activities are collectively referred to herein as "Solicitation"). All customers solicited by Independent Representatives on behalf of ACN and its carrier/supplier/service provider(s) are deemed to be customers of ACN or its carrier/supplier/service provider(s) and not of its Independent Representatives. Independent Representatives understand that such non-solicitation prohibition shall be strictly enforced and that ACN's carrier/supplier/service provider(s) shall be a third party beneficiary of this prohibition as well as any proprietary and confidential information provided to ACN which in turn is received by Independent Representative. Further, during the term of the Independent Representative Agreement and for a period of one (1) year thereafter, representatives may not enter into a direct marketing relationship with any carrier/supplier/service provider of ACN. During the term of this Agreement and for a period of one (1) year thereafter, ACN Independent Representatives may not solicit an ACN Independent Representative, whether active, inactive, individual or entity to participate in a network marketing program offered by any other company, regardless of whether or not such network marketing company offers competing products or services. Without limiting in any way ACN's right to pursue all rights and remedies available to it, violation of this covenant and condition will result in, but is not limited to forfeiture of all distributorship rights, including all current and future commissions, bonuses and payments of any kind.